NCE Energy Trust
2000 Annual Report

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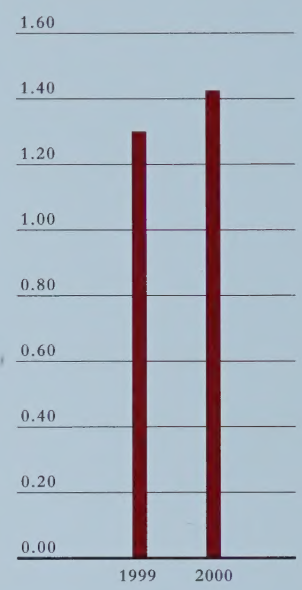
NCE Energy Trust Profile

NCE Energy Trust (the "Trust") is an income trust designed to acquire oil and gas assets primarily through the acquisition of oil and gas companies. The resulting cash flow from these properties flows back to the unitholders on a tax-advantaged basis.

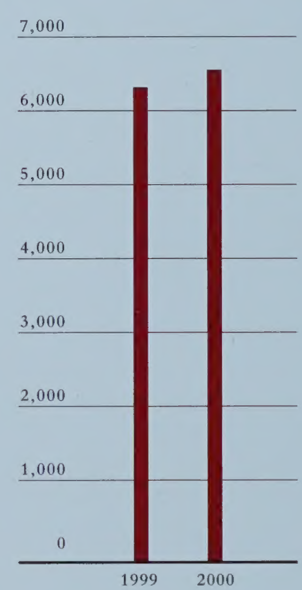
NCE Energy Trust is designed to provide investors with consistent levels of cash distributions through investments in the oil and gas industry. The Trust provides the benefits of owning producing properties, without the exploration-related risks associated with investments in common shares of oil and gas companies. Unlike oil and gas companies, where cash flows are retained for reinvestment, NCE Energy Trust pays out all net cash proceeds from producing properties to the Trust's unitholders. Income flows to unitholders on a monthly basis.

NCE Energy Trust provides long-term income potential to investors, as all income accrues to the benefit of the unitholders. The management and employees of NCE Energy Trust are committed to maximizing unitholders' interests through high-quality acquisitions in the oil and gas industry.

CASH FLOW
FROM OPERATIONS
($ Cdn)



ESTABLISHED
RESERVES
(per mboe)



Financial Highlights

for the years ended December 31,	**2000**	**1999**
FINANCIAL		
Cash flow from operations	$ 11,364,730	$ 4,698,330
Cash flow from operations per unit		
– Basic	$ 1.42	$ 1.28
– Diluted	$ 0.88	$ 0.63
Distributions accruing to unitholders	$ 10,645,883	$ 3,218,380
Distributions accruing to unitholders per unit		
– Basic	$ 1.33	$ 0.88
– Diluted	$ 0.97	$ 0.70
Net income	$ 4,647,513	$ 817,737
Income per unit		
– Basic	$ 0.58	$ 0.22
– Diluted	$ 0.43	$ 0.22
Weighted average number of units outstanding		
– Basic	8,011,390	3,656,736
– Diluted	10,985,729	4,589,821
Number of units outstanding, end of period	17,939,486	4,760,558
OPERATIONAL		
Daily Production:		
Oil (bbls)	1,040	1,096
Gas (mcf)	5,991	5,060
Liquids (bbls)	54	65
boe (10:1)	1,693	1,667
boe (6:1)	2,093	2004
Prices:		
Oil (per bbl)	$ 38.13	$ 24.86
Gas (per mcf)	$ 5.13	$ 2.40
Liquids (per bbl)	$ 31.92	$ 15.77
Operating netback per boe	$ 23.84	$ 12.57
ESTABLISHED RESERVES		
Oil (mbbl)	3,800	3,959
Gas (mmcf)	23,344	21,006
Liquids (mbbl)	299	174
boe (10:1)	6,433	6,234
boe (6:1)	7,990	7,634

Who is NCE Resources Group?

NCE Energy Trust is a member of NCE Resources Group, an experienced oil and gas investment management company that has been managing investments for Canadian investors for more than 15 years. Founded in 1984, the company employs approximately 170 people with extensive expertise in all aspects of energy investment and administration. NCE has invested or manages the investment of over $1.3 billion on behalf of more than 70,000 investors.

At year-end, NCE Resources Group produced approximately 22,000 barrels of oil equivalent per day, which in terms of production, ranked among the top oil and gas companies in Canada.

NCE funds and affiliated companies have acquired or have participated in the drilling of more than 5,000 producing oil and natural gas wells, with approximately 230 joint venture partners, on 1.5 million gross acres in Western Canada.

1997

January 30, 1997
- NCE Energy Trust files final prospectus for initial public offering of units.

March 27, 1997
- NCE Energy Trust completes final closing for $33 million.

September 5, 1997
- NCE Energy Trust closes acquisition of Lateral Vector Resources for $44 million.

1998

January 29, 1998
- NCE Energy Trust is listed for trading on The Toronto Stock Exchange.
- NCE Energy Trust implements strategy to manage in an environment of low commodity prices.

- NCE Energy Trust begins planning for Year 2000 conversion.

1999

January 15, 1999
- NCE Energy Trust files final prospectus for $25 million offering of Note Units.

March 23, 1999
- NCE Energy Trust promissory notes and bonus warrants begin trading on The Toronto Stock Exchange after initial close.

April 14, 1999
- NCE Energy Trust completes final closing of offering of Notes Units, raising $16 million.

April 29, 1999
- NCE Energy Trust announces Unitholder Rights Plan.

June 10, 1999
- NCE Energy Trust closes purchase of $13.7 million gas property.

November 17, 1999
- NCE Energy Trust files final prospectus for $28 million offering.

December 20, 1999
- NCE Energy Trust announces normal course issuer bid.

2000

May 19, 2000
- NCE Energy Trust reports a 99% increase in cash flow from operations for 1999.

November 8, 2000
- NCE Energy Trust closes $9.85 million property purchase.

November 29, 2000
- NCE Energy Trust raises gross proceeds of $31 million.

December 29, 2000
- NCE Energy Trust enters into agreement to purchase $23.8 million of oil and gas properties.

Message from the Chief Executive Officer

DEAR NCE ENERGY TRUST UNITHOLDERS:

On behalf of NCE Energy Corporation, I am pleased to present the 2000 annual report for NCE Energy Trust. The Trust's performance during these past two years has been the result of careful planning and strategy, with a focus on operations. As you may recall, in our 1998 annual report titled "The Road Ahead," we set out a strategy for the future. This strategy was based on growing the Trust through new acquisitions and by developing existing assets.

Our concerted effort to leverage our acquisitions expertise was paramount since, as you will see in this report, we believe that NCE Energy Trust's ability to make profitable and timely acquisitions represents a distinct competitive advantage and is one of the primary sources of the Trust's success.

In 1998, we resisted making property acquisitions because we believed oil and gas properties were overpriced. In March 1999, our patience was rewarded. We were able to increase the Trust's reserves and production by making a key acquisition that met our own strict criteria for minimum internal rates of return and diversified the Trust's production base. As oil and gas prices rose throughout 2000, we continued to add to

our reserves and production by making new acquisitions at favourable prices. In early 2001, we signed agreements to purchase an additional $30.5 million in properties.

NCE Energy Trust's strict acquisition criteria have benefited unitholders. The Trust looks for quality long-life assets, a diversity in terms of oil gas mix, and geographical and geological diversity. We continue to expand the Trust's portfolio of core properties to provide good short-term cash flow as well as long-term stability.

"Our concerted effort to leverage our acquisitions expertise was paramount since, as you will see in this report, we believe that NCE Energy Trust's ability to make profitable and timely acquisitions represents a distinct competitive advantage and is one of the primary sources of the Trust's success."

At today's strong oil and gas prices, the indicators for our acquisitions in 2000 and to date in 2001 are excellent. Actual oil and gas prices have outperformed the forecasts we used to make all of these acquisitions. As a result, our cash flow has been very strong in 2000, and we remain in a strong position to make future acquisitions. I should also mention that, despite the high oil and gas prices we are experiencing, the industry has not been able to attract significant equity investment. As a result, companies are still selling assets to fund exploration activities. So, we remain optimistic about future acquisitions.

Another way we create value is through our drilling and production optimization programs. NCE Energy Trust has an inventory of several exciting drilling projects, and we will exploit these projects in 2001.

We intend to leverage the Trust's operational expertise to take advantage of the investment opportunity that exists in oil and gas at the present time. Over the past 12 months, strong prices for crude oil and natural gas have contributed to higher cash flows and production revenues. While these prices have been above historical trading ranges, we do not believe they are a temporary event. The dynamics of global supply and demand for both oil and gas point to sustained high prices. The scarcity of these limited resources is affecting the world economy, and we believe that NCE Energy Trust is well-positioned to take advantage of this investment opportunity.

Our goal remains the same: we will strive to provide unitholders with high monthly cash distributions. To achieve this, we will focus on operations, maximize production through low-risk capital expenditures, rationalize non-royalty trust suitable assets, maintain a balanced oil and gas mix, and make appropriate acquisitions that satisfy our internal rate of return criteria.

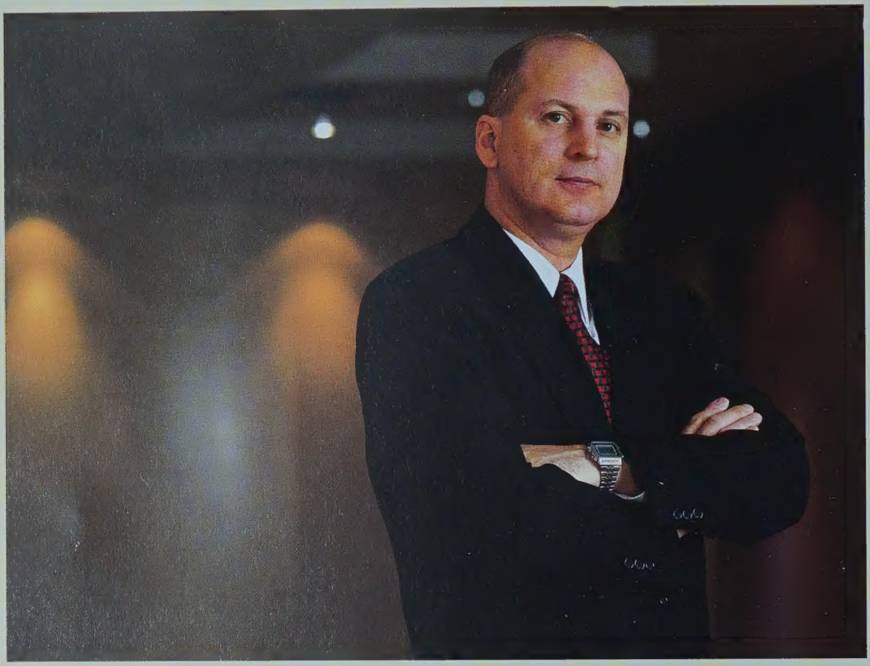
The Trust's competitive position in the market is strong, the outlook for energy prices is positive and the company's dedicated acquisitions team, investors services and management remain steadfast in their commitment to building value. We are excited about the prospects for NCE Energy Trust in the period ahead.

I would like to thank the Directors of the Trust, the Investment Advisory Board, the management team, and all the employees of NCE Resources Group for their hard work and devotion in the past year. I would especially like to thank the unitholders and the investment dealer community for their continued support and confidence. We will strive to exceed your expectations in 2001.

Sincerely,

John F. Driscoll
President and Chief Executive Officer
NCE Energy Corporation

Message from the Chief Operating Officer



Following up a strong finish to 1999, NCE Energy Trust started the year 2000 with good cash flow and a strong balance sheet. Our strategy was to aggressively pursue acquisitions in 2000 to take advantage of the disconnect between property prices and oil and gas prices. During the year, the Trust closed a total of $9.8 million in property acquisitions and signed agreements to purchase an additional $30.5 million in early 2001. These additional acquisitions have now been closed.

Effective July 1, 2000, NCE Energy Trust purchased a diverse package of properties in the Grande Prairie area of Alberta for a total price of $9.8 million. The assets purchased were 45 % gas and contained more than 75 % proven reserves. The acquisition indicators for this purchase were as follows:

- Reserves Purchase Price: $7.63 per established boe
- Production Purchase Price: $31,300 per boe/d
- Reserve Life Index: 11.2 years

In addition, our technical staff identified upside in the form of additional drilling opportunities. One of these wells has already been drilled, resulting in a successful oil well.

In December, the Trust signed agreements to make two additional acquisitions, including a $24 million purchase of diverse properties from a major Canadian oil and gas company. This purchase was effective January 1, 2001, and has now been closed. The new assets contain 45% gas, and more than 85% of these were categorized as proven. The indicators for this purchase were:

- Reserves Purchase Price: $8.14 per established boe
- Production Purchase Price: $44,500 per boe/d
- Reserve Life Index: 13.8 years

NCE Energy Trust also signed an agreement in December to purchase an oil property in the Wainwright area. This purchase was effective January 1, 2001, and has also now closed. The indicators for this purchase are as follows:

- Reserves Purchase Price: $3.90 per established boe
- Production Purchase Price: $26,800 per boe/d
- Reserve Life Index: 18.5 years

Again, we were successful in adding long-life reserves at a favourable cost.

Primarily as a result of property acquisitions, production volumes increased to an average of 1,693 boe/d in 2000. At the same time, year-end reserves increased to 6.4 million boe. In 2000, NCE Energy Trust again demonstrated the ability to show growth and add value for its unitholders. In addition, the acquisitions made at year-end have given us an excellent start for 2001.

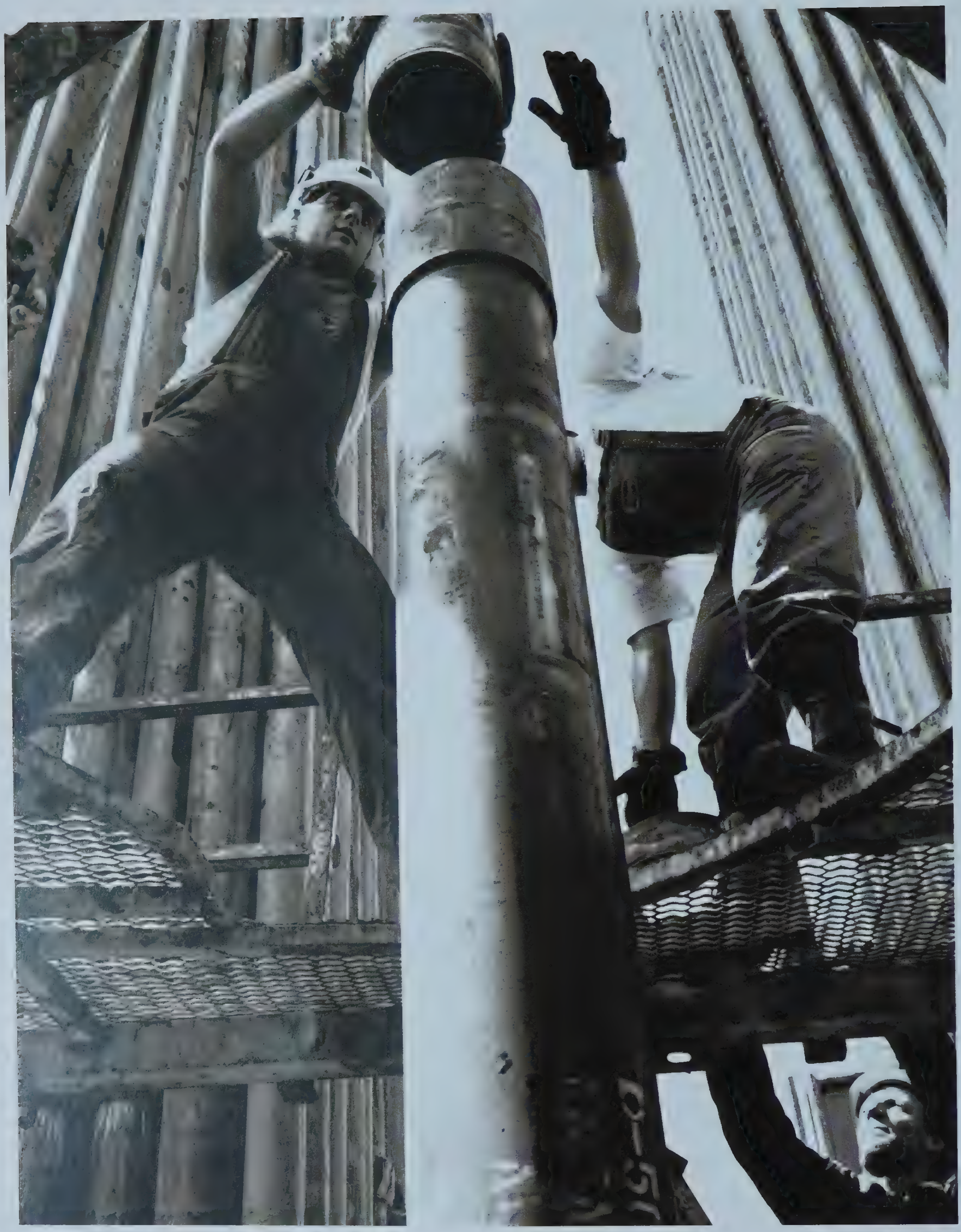
NCE Energy Trust also participated in drilling development and production enhancement projects in 2000, including the drilling of two horizontal wells in Southeast Saskatchewan and the start of work on a waterflood scheme in Loon Lake, Alberta.

Looking ahead into 2001, NCE Energy Trust will continue to identify quality oil and gas properties for acquisition. As well, with increased cash flow and improved commodity prices, the Trust intends to increase capital expenditures in development drilling, recompletion and workover projects. Of course, we will also continue with our efforts to optimize production and reduce operating costs.

In summary, 2000 was an excellent year for NCE Energy Trust with record distributions and positive increases in almost every area. The acquisitions significantly increased our asset base and also improved our oil/gas ratio to a very healthy 64%/36% balance. Drilling and projects also contributed to our success. This performance is a credit to our employees, who worked very hard to ensure that our unitholders received maximum benefit from a favourable economic environment. I can assure you that these efforts are continuing in 2001.

Sincerely,

Jeffery E. Errico
Executive Vice-President and Chief Operating Officer
NCE Energy Corporation



NCE Energy Trust's property acquisitions *contributed to an increase in production volumes to an average of 1,693 boe/d in 2000. NCE Energy Trust also participated in drilling development and production enhancement projects, including the drilling of two horizontal wells in Southeast Saskatchewan and the start of work on a waterflood scheme in Loon Lake, Alberta. In 2001, the Trust intends to increase capital expenditures for development drilling, and continue with efforts to optimize production and reduce operating costs.*

OPERATIONS

Adding Value

NCE Energy Trust has an objective to provide its unitholders with superior monthly distributions while, at the same time, ensuring the long-term health of the Trust. This objective is accomplished through the following strategies:

NEW ACQUISITION STRATEGY

Growth in a royalty trust is accomplished primarily through new acquisitions. NCE Energy Trust is continuously in the property acquisition market and all potential acquisitions are rigorously evaluated and subjected to investigations of more than 20 separate criteria, including reserves, financial, production, economic and environmental considerations. We also look for synergies with our existing property base.

In addition, a macro model is run to determine the effect of the proposed acquisition on the Trust as a whole. We look carefully at the makeup and diversity of NCE Energy Trust with respect to oil/gas balance, weighting to any one property or property type, and the geographical distribution of the Trust's assets after giving effect to the proposed acquisition. If the acquisition candidate passes these hurdles, it is sent to independent engineers for a final review prior to an offer being made.

The Acquisitions Team

NCE Energy Trust evaluates all potential acquisitions according to strict criteria to ensure that each new acquisition benefits unitholders.

Morad Rizkalla
Manager, Acquisitions

Patrick R. Ward
Manager, Geology and Geophysics

George Amos
Evaluations Engineer

Jeff Newcommon
Vice-President, Land and Exploration

Patrick R. Ward
has 23 years of experience in the Canadian and United States petroleum industry. His particular expertise is in the field of geology and geophysics, and he has held both technical and managerial roles at a number of Canadian based oil and gas companies during his career. Mr. Ward is a Registered Professional Geologist with a B.Sc. Honours degree from the University of Calgary.

Morad Rizkalla
is a professional engineer with more than 18 years of progressive oil industry experience in corporate and property acquisitions and dispositions, exploitation, and reservoir engineering. He joined NCE in March 2001 and is responsible for corporate acquisitions and strategic planning.

Jeffrey Newcommon
received his Bachelor of Arts Degree in Economics from the University of Western Ontario in 1983. From 1984 to 1995, he held various positions with Canadian Hunter Exploration Ltd., including Land Manager. He joined NCE Resources Group in April 1995.

George Amos
is a Professional Engineer with over 25 years of engineering and management experience. He has worked in a variety of engineering positions including acquisitions, evaluations, reservoir, facilities, operations, heavy oil, and marketing, as well as corporate development throughout Western Canada as well as offshore, for both Canadian and U.S. companies. Mr. Amos has been with NCE since 1997, carrying out evaluations for acquisitions and new drilling, as well as production optimization.

Development and Enhancement Strategy

Value is added to the Trust through the exploitation of upside, primarily through one of three mechanisms:

- *Development of low-risk drilling opportunities*
  Typically, NCE Energy Trust participates directly in opportunities with a chance of success greater than 65% and a expected payout of two years or less.
- *Farm-out or sale of riskier opportunities*
  The Trust will farm out drilling opportunities that are of a riskier nature as well as those that require a significant amount of risk capital. Alternatively, we would entertain the outright sale of these types of properties.
- *Enhancement of existing wells*
  These types of activities include recompletion work, production optimization and cost-cutting measures.

Product Marketing Strategy

In order to mitigate the effects of fluctuations in the price of oil and gas, which are outside of the Trust's control, NCE Energy Trust has implemented a strategy of marketing its products to a diverse group of buyers with contract terms of varying lengths. Forward selling instruments such as swaps, collars and floors are used as part of this process. In general, the Trust uses a strategy of forward selling up to 30% of its production. This strategy is used only to help stabilize distributions and not as a speculation on future prices.

Financial Strategy

Interest rates and foreign exchange rates are also out of the Trust's control. In general, NCE Energy Trust makes acquisitions with borrowed capital and uses equity issues to repay the loans. Management routinely reviews the Trust's debt level and takes such action as is deemed appropriate. Foreign exchange fluctuations are managed by transacting some forward selling of oil in Canadian dollars.

Diversification Strategy

The Trust strives to hold a balanced portfolio of assets in terms of oil/gas balance, geological play type and geographical location. As a result, the Trust is not vulnerable to major impacts on its overall performance due to changes at any one property.

Summary of Business Risks

The oil and gas business in general, and Energy Trust in particular, are subject to a variety of business risks that could prevent companies from meeting their corporate objectives. These risks include the following:

- Commodity risks associated with fluctuations in the price of oil and gas;
- Production risks associated with well productivity, transportation and development;
- Acquisition risks associated with the Trust's ability to acquire new reserves at low prices;
- Financial risks such as fluctuations in interest and exchange rates;
- Environmental and safety risks associated with wells and facilities.

To combat these risks, NCE Energy Trust employs experienced management and technical staff who proactively manage and operate the Trust's business and properties. The Trust's strategy of maintaining a diverse portfolio in terms of oil/gas balance and geological and geographical characteristics also serves to reduce risk. Among the measures routinely undertaken to further manage these risks are the following:

- Use of a marketing strategy that includes product sales to a diverse group of buyers over varied contract terms;
- Employment of technically competent and experienced operating personnel and the monitoring of the competence of all third-party operators;
- An acquisition program that focuses on mature, long-life properties on a continuous basis. All potential acquisitions are subjected to a rigorous evaluation process and strict acquisition criteria;
- The close monitoring of debt and cash flow levels. As indicated, appropriate action is taken to keep these in control;
- Implementation of a comprehensive safety and environment protection program.

The Trust also carries appropriate levels of insurance coverage and has set aside an abandonment fund to guard against future liabilities.

Operations Update and Outlook

The year 2000 was an exceptional year for the upstream petroleum industry, mainly due to high product prices. Crude oil prices hit levels not seen since the Gulf War, and natural gas prices set new all-time highs throughout the year. The benchmark West Texas Intermediate ("WTI") oil price averaged US$30.20/bbl during 2000, US$10.96/bbl above the 1999 average of US$19.24/bbl. The Canadian benchmark gas price (AECO Spot) averaged $5.14/GJ, an increase of $2.33/GJ on the average 1999 price of $2.81/GJ. The activity level in the industry remained high throughout the year, and 2001 promises to be just as exciting with continued strong product prices.

Effective July 1, 2000, Energy Trust acquired a package of properties in the Grande Prairie area of Northwest Alberta at a cost of approximately $10 million. The acquisition is discussed in detail in the Chief Operating Officer's Message.

The Trust's average production in 2000 was 1,693 boe/d, up slightly from 1,667 boe/d in 1999. Normal production decline was offset by the production acquired in the Grande Prairie acquisition. Established reserves at the end of 2000 were 6.4 million boe. The reserve life index stands at 10.2 years compared to 11 years at the end of 1999.

In 2000, a successful horizontal oil well was drilled on the Trust's land in Weyburn, Saskatchewan. Energy Trust's interest in the well is 52.6%. Energy Trust also participated for its 22.9% working interest in a horizontal well in the Ingoldsby area of Southeast Saskatchewan. This well is not economically productive,

and further remedial work is contemplated in early 2001.

Looking ahead to 2001, the Trust is positioned to continue making quality acquisitions. A controlled program of expenditures for development and enhancement of existing properties will help maintain cash flow from the Trust.

Environmental and Safety Policies

NCE Energy Trust is committed to the health and safety of its employees and the public, as well as to the long-term enhancement and protection of the environment. We have established policies in both these areas to ensure that our staff and contract workers are aware of our goals and, more importantly, have the training and knowledge to accomplish them. The programs and procedures that NCE Energy Trust has implemented include the following:

General

- NCE Energy Trust has created safety and environmental policy manuals that are to be followed in all of its activities.
- All field employees continually undergo in-house and external training programs in both safety and environmental management.

Environmental Policy

- Prior to acquiring a property, an environmental review is performed to ensure that the subject property is in acceptable condition. This review process makes use of government records, on-site visits and inspections and analyses by qualified consultants.
- Once a property is acquired, any deficiencies that do not meet the Trust's standards are rectified.
- Regular inspections are performed to ensure that any current or potential environmental liabilities are addressed.
- Our drilling and facility construction operations are conducted in compliance with government regulations and guidelines.
- The Trust has an ongoing abandonment program and has set up an abandonment fund to meet future needs.

NCE Safety Policy

- Safety is an integral part of NCE Energy Trust's daily operating activities. The Trust's safety program is mandated and encouraged through the active participation of senior management.
- All field employees attend regular meetings to discuss safety regulations and policies.

Regular safety audits are performed on NCE Energy Trust operated properties to ensure that government regulations and company procedures are followed.

The Value of NCE's Acquisitions Team

"We have very strict criteria that govern what we are willing to pay for a given property. We will not overpay for a property."

An interview with Jeff Newcommon, Vice-President, Land and Exploration

What are some of the basic attributes to consider when making an acquisition for NCE Energy Trust?

We look at things like the reserve life of the property. The longer the reserve life index, the more desirable it tends to be for a trust. We are also looking for properties with a long production history so that we can have comfort regarding the future productivity of the well. Finally, we look for a property that does not have a lot of future capital commitments. With a trust, we like to pay out as much of the production proceeds as possible, as opposed to reinvesting them.

Are properties with these attributes the most expensive properties?

No, not necessarily. You can find properties without these characteristics that will be very competitively bid because of their perceived exploration potential. One

should not assume that because a property has production and a long reserve life index that one would pay more for it. A good acquisitions team can find value in the oil patch.

When would you purchase a company rather than a property?

What we have seen in the last couple of years is that it is sometimes more cost effective to purchase an entire company's shares than to bid on some of its assets. This situation may persist for some time as long as [share price to] cash flow multiples remain relatively constrained.

For each successful acquisition bid, there are others that are not successful. What would you estimate is the ratio of successful bids to total bids?

That's a good question. First, it's important to note that we have very strict criteria that govern what we are willing to pay for a given property. We will not overpay for a property. There are properties that others are willing to pay more than what we feel they are worth and this results in unsuccessful bids for us.

As far as a success ratio, I would say that for every 100 properties that come on the market, we consider maybe 20 to 25 of them to be suitable for a royalty trust. Of those 25, we might have six or seven bids that interest the seller and we would close two of them.

Is it fair to say that NCE is actively seeking acquisitions 12 months of the year?

Absolutely. We work full-time on our acquisitions program because that's how we gain superior knowledge of the market and the industry. It also ensures that we do not miss an opportunity to add value to the Trust with a favourable acquisition.

How long does it take to make an acquisition, from early evaluation through to completion?

In general it takes a couple of weeks to do a technical evaluation. Then, if we like the asset, we would formulate and submit a bid. It can take about a week to find out if we are successful and then another ten days to negotiate a purchase sale agreement. After that, it takes 45 days before we close, so from start to finish if you add all that up, it's about a three- to three-and-a-half month process.

You're not doing this alone. Who contributes to NCE's acquisitions process?

Our competitive advantage is rooted in the diversity of skills that we have at NCE. We take a multi-discipline team approach to our acquisition investments. We have engineers that are evaluating the assets, we have financial people evaluating the assets and we have geologists evaluating the asset from that perspective. So the team is well represented from those disciplines. We like to keep the team senior and relatively small to move quickly since the better deals tend to go fast.

IN ORDER TO MITIGATE THE EFFECTS *of fluctuations in the price of oil and gas, which are outside of the Trust's control, NCE Energy Trust has implemented a strategy of marketing its products to a diverse group of buyers with contract terms of varying lengths. Forward selling instruments such as swaps, collars and floors are used as part of this process. In general, the Trust uses a strategy of forward selling up to 30% of its production. This strategy is used only to help stabilize distributions and not as a speculation on future prices.*

Land Holdings

Property Descriptions

NCE Energy Trust strives to hold a balanced portfolio of assets in terms of the proportion of oil and gas, the type of geological formation, and geographical location. As a result, the Trust is not vulnerable to major impacts on its overall performance due to changes at any one property.

July Lake, British Columbia

This property is a gas-producing property located approximately 100 miles northeast of Fort Nelson. NCE Energy holds an 18.53% working interest in 17 producing gas wells within a production-sharing area and a 41.17% working interest in five additional gas wells. The operators of the property are Canadian Natural Resources and NCE Resources Group. Plans are in place to drill two wells on the property in early 2001. NCE Energy's 2000 net production from this property averaged 4.9 mmcf/d. NCE Energy's established reserves for July Lake as at December 31, 2000, were 15,941 mmcf of gas.

Lodgepole (Pembina), Alberta

This operated oil property is located approximately 90 miles southwest of Edmonton. Lodgepole consists of an oil battery, an oil gathering system, 55 producing oil wells (53 Cardium and 2 Jurassic) and one gas well. NCE Energy holds an average 47% working interest in this production. No significant development capital was spent in 2000 on this property. NCE Energy's net production from Lodgepole averaged 215 boe/d in 2000. NCE Energy's established reserves for this property as at December 31, 2000, were 1,048 mboe, consisting of 790 mbbl oil, 1,467 mmcf gas and 111 mbbl NGLs.

Ante Creek, Alberta

This property, located 190 miles northwest of Edmonton, was acquired by NCE Energy effective July 1, 2000. NCE Energy holds 100% working interest in three producing oil wells and additional undeveloped acreage. Several 100% drilling locations have been identified on the lands, and the first well was drilled in early 2001, resulting in a successful oil well. NCE Energy's 2000 annualized net production from Ante Creek averaged 45 boe/d. Current daily production is 130 boe/d. NCE Energy's established reserves for this property as at December 31, 2000, were 888 mboe, consisting of 500 mbbl oil, 2,812 mmcf gas and 107 mbbl NGLs.

Tatagwa and Tatagwa West, Sask.

NCE Energy operates this oil property, which is located in Southeast Saskatchewan, approximately 30 miles southwest of Weyburn. Light, sweet oil is produced from the Midale formation from nine horizontal and seven vertical wells. NCE owns the associated production facilities, including batteries at both sites and water disposal facilities at Tatagwa. Production from other operators in the area is processed at the NCE facility for a fee to generate additional income. NCE Energy's working interest in this property averages 95%, and 2000 net production from this area averaged 240 bbl/d. NCE Energy's established reserves for this area as at December 31, 2000, were 833 mbbl of oil.

Loon Lake, Alberta

NCE Energy's operated Loon Lake property is located approximately 200 miles north of Edmonton. The property includes a central battery and 25 oil wells, producing from the Granite Wash and Slave Point formations. NCE Energy's average working interest in this production is approximately 60%. Late in 2000, NCE Energy applied to the AEUB to expand the waterflood project on the property to recover additional reserves. Approval was received in January 2001 and work on the expansion will commence early in 2001. NCE Energy's net production from Loon Lake in 2000 was 150 bbl/d. NCE Energy's established reserves for this property as at December 31, 2000, were 473 mbbl of oil.

Rosebank and Rosebank South, Sask.

Located about 120 miles southeast of Weyburn, the Rosebank properties are made up of the operated Rosebank Voluntary Unit #1 (three horizontal and five vertical wells), three operated non-unit wells and two horizontal non-operated wells. All wells produce light oil from the Alida formation. NCE Energy owns an average 60% of the operated production and 36% of the non-operated production. The average production from this area net to NCE Energy in 2000 was 95 bbl/d. NCE Energy's established reserves for this area as at December 31, 2000, were 267 mboe, consisting of 265 mbbl of oil and 20 mmcf of gas.

NCE Energy Corporation
Western Canada Land Holdings

EFFECTIVE JULY 1, 2000, NCE ENERGY TRUST *purchased a diverse package of properties in the Grande Prairie area of Alberta for a total price of $9.8 million. The Trust's average production in 2000 was 1,693 boe/d, up slightly from 1,667 boe/d in 1999. Normal production decline was offset by the production acquired in the Grande Prairie acquisition. In 2001, the Trust signed agreements to purchase $30.5 million of properties and is well positioned to continue making quality acquisitions. A controlled program of expenditures for development and enhancement of existing properties will help maintain cash flow from the Trust.*

NCE Energy Trust Major Areas

Property Name	Production Operator	Average Working Interest	Major Product	2000 Average Production (boe/d)	Established Reserves (mboe)
July Lake	Canadian Natural	24.9%	Gas	495	1,594
Lodgepole	NCE Resources Group	47.1%	Oil & Gas	215	1,048
Ante Creek	NCE Resources Group	100.0%	Oil	45	888
Tatagwa & Tatagwa W	NCE Resources Group	68.9%	Oil	240	833
Loon Lake	NCE Resources Group	59.9%	Oil	150	473
Rosebank & Rosebank S	Various	56.1%	Oil	95	267
Rose Creek	NCE Resources Group	53.8%	Oil	105	261
Weyburn	NCE Resources Group	59.4%	Oil	90	256
Others	Various		Oil & Gas	255	813
TOTAL				1,690	6,433

Rose Creek, Alberta

Rose Creek is a producing oil property situated about 80 miles southwest of Edmonton. This is an operated oil property containing two central tank batteries and 41 producing Cardium oil wells. NCE Energy's working interest averages 54%. Average production net to NCE Energy from this property in 2000 was 105 boe/d. NCE Energy's established reserves for this property as at December 31, 2000, were 261 mboe, consisting of 220 mbbl of oil, 224 mmcf of gas and 19 mbbl of NGLs.

Weyburn, Saskatchewan

NCE Energy's Weyburn property is located 20 miles south of the city of Weyburn in Southeast Saskatchewan. There are six producing verticals, two producing horizontals and one water disposal well on this property, all operated by NCE and all producing from the Midale formation. NCE Energy's average interest in this production is 59%. In 2000 a new horizontal well was drilled on the property, adding approximately 25 bbl/d net to NCE Energy. NCE Energy's net production from this property in 2000 averaged 90 bbl/d. NCE Energy's established reserves for this property as at December 31, 2000, were 256 mbbl of oil.

NCE Energy Trust Reserves

The reserves of NCE Energy Trust are summarized in the table below.

Reserves Reconciliation (proved & risked probable)

	Oil (mbbls)	Gas (mmcf)	NGL and Sulphur (mbbls)	Total (mboe)
DECEMBER 31, 1998 RESERVES	4,607	3,451	227	5,179
Production 1999	(400)	(1,847)	(24)	(609)
Discoveries and extensions	0	0	0	0
Reserve revisions	71	(798)	(29)	(38)
Acquisitions	0	20,200	0	2,020
Divestments	(319)	0	0	(319)
DECEMBER 31, 1999 RESERVES	3,959	21,006	174	6,234
Production 2000	(381)	(2,193)	(20)	(620)
Discoveries and extensions	44	0	0	44
Reserve revisions	(301)	(1,157)	(31)	(448)
Acquisitions	525	5,783	179	1,282
Divestments	(46)	(95)	(3)	(59)
DECEMBER 31, 2000 RESERVES	3,800	23,344	299	6,433
DECEMBER 31, 2000 RESERVES SPLIT	59.1%	36.3%	4.6%	

Net Present Value ($000s)

December 31, 2000	Undiscounted	Disc. @ 10%	Disc. @ 12%	Disc. @ 15%
PROVED RESERVES				
Producing	$ 78,325	$ 51,340	$ 48,610	$ 45,192
Non-producing	16,127	10,143	9,457	8,591
Total Proved	94,452	61,483	58,067	53,783
PROBABLE (risked at 50%)	21,359	9,285	8,335	7,214
TOTAL ESTABLISHED	$ 115,811	$ 70,768	$ 66,402	$ 60,997

Reserves Summary (proved & risked probable)

December 31, 2000	Oil (mbbls)	Gas (mmcf)	NGL and (mbbls)	Total (mboe)
PROVED RESERVES				
Producing	2,510	16,174	159	4,286
Non-producing	606	3,004	74	980
Total Proved	3,116	19,178	233	5,267
PROBABLE (risked at 50%)	684	4,166	66	1,167
TOTAL ESTABLISHED	3,800	23,344	299	6,433

NCE's Expertise

Sourcing and Analysis

NCE's principal strength is its ability to analyze and optimize both the technical and business considerations associated with oil and gas investments. The Trust uses strict investment criteria, including minimum internal rate of return standards, to evaluate potential investment opportunities. NCE also relies on quantitative analysis using advanced computer systems to assess production volumes, reservoir reserves, operational costs and property valuation. The result is a proven ability to select oil and gas properties, companies and securities that offer growth potential at reasonable prices.

Optimization

NCE has also demonstrated its ability to evaluate development-drilling opportunities and invest in the best opportunities on a farm-in basis. The Trust carefully analyses the economic potential and adheres to strict evaluation criteria before committing to appropriate programs. The program mix typically has a large percentage of low-risk projects and a smaller percentage of higher-risk, high-potential projects. NCE maximizes return potential and minimizes risk by using experienced and responsible operators.

Investments in oil and gas are made on the basis of an initial assessment of preliminary engineering studies. This is followed by internal engineering audit verification and, finally, more extensive evaluation by independent petroleum engineering firms.

VINCE MOYER, Vice-President, Finance (left) and JOHN VOOGLAID, Vice-President, Treasurer (right): NCE's primary operational strengths are in the areas of sourcing and analysis, and optimization. When we combine these strengths with sound financial management and our expertise in corporate finance, the result is a Trust with a superior management team that can deliver value to unitholders.

TYPICALLY, NCE ENERGY TRUST PARTICIPATES *directly in low-risk drilling opportunities with a chance of success greater than 65 per cent and an expected payout of two years or less. The Trust will farm out drilling opportunities that are of a riskier nature as well as those that require a significant amount of risk capital. Alternatively, the Trust will consider the outright sale of these types of properties.*

Pricing

The year 2000 was an exceptional year for the upstream petroleum industry, mainly due to high product prices. Crude oil prices hit levels not seen since the Gulf War and natural gas prices set new all-time highs throughout the year. The activity level in the industry remained high throughout the year, and 2001 promises to be just as exciting with continued strong product prices.

Marketing Summary

Natural Gas

NCE Energy Trust's natural gas production is largely focused in British Columbia (B.C.) with the remainder in Alberta (see chart below). The Trust's average natural gas price in 2000 was \$5.13/mcf, an increase of 114% over the previous year. None of the Trust's production is dedicated to an aggregator; nor are there any direct export transportation commitments held by the Trust. All proprietary gas production is transported on intra-provincial pipeline systems and is sold at the regional market hubs under spot and term pricing. The Trust continues to maintain sufficient intra-provincial firm transport to most of its daily sales,

and maintains a high load factor on all contracted transportation. The Trust's main term contract is a market-sensitive contract for approximately 3.5 mmcf/d with BC Gas, a regional gas utility in British Columbia.

The Trust's B.C. focus proved to be a big advantage in late 2000 as a shortage of natural gas on the West Coast led to the highest average Sumas daily index pricing (10.58/gj) in any quarter since the inception of the Trust. We expect high demand in this region for heating and power generation will continue and that B.C.-sourced natural gas will continue to receive premium pricing. Hedging losses during the year were $0.55/mcf.

Crude Oil

NCE Energy Trust benefited from the rise in crude prices and was not impacted by the widening of medium and heavy crude differentials as all its crude is "light" crude. NCE Energy Trust expects very tight light differentials at Edmonton in 2001 and beyond due to the declining availability of light crudes in Western Canada.

During 2000, NCE Energy Trust's average Canadian price was $38.13/bbl, up 53% from the $24.86/bbl received in 1999. Hedging losses were $3.09/bbl. About 62% of the Trust's crude production is sold directly to refiners with the balance going to marketers.

Natural Gas Liquids

During 2000, the average price for the propane, butane and condensate mix was $31.92/bbl, up 102% from the $15.77/bbl price in 1999.

Hedging

The Trust's oil production was not hedged at the end of 2000 due to the severe backwardation in the market and the high cost of purchasing floors at reasonable price levels. At December 31, 2000, the Trust had 785 mcf/d of gas production hedged in order to manage its cash flows and to reduce risk as summarized below at an average price of $3.17/mcf at Sumas, B.C.

Management continues to explore additional price risk management strategies for its crude, natural gas and NGL production, including: fixed price contracts; costless collars; the purchase of floor price options; and other derivative financial instruments to reduce price volatility and ensure minimum prices to a maximum of 50% of its production.

Oil and Gas Pricing Fundamentals

Crude Oil

Crude prices surged throughout 2000 as West Texas Intermediate (WTI) oil rose to US$31.86 in the fourth quarter, up 30% from the same period in 1999. On a year-over-year basis, WTI was US$10.96/bbl higher than in 1999. Western Canadian light and medium crudes were highly correlated with the rise in WTI, with differentials at Edmonton averaging $0.36 off WTI. This was a $0.48/bbl improvement over the previous year.

NCE Energy Trust views this as confirmation of its investment strategy, which has emphasized the acquisition of light production. On the other hand, medium and heavy oil differentials widened throughout the year, generating rapidly declining netbacks by the end of the year. The Trust has no heavy or medium crude exposure. As a result, the Trust is largely insulated from the widening of these differentials.

The year was marked by a shift, or "inflection point," in the supply-demand balance, as three OPEC supply increases along with increasing production from the non-OPEC nations caused supply to catch up with demand. Rotating refined product shortages in the U.S. were also notable, leading crude prices higher. This began with a shortage of heating oil early in the year, which became a gasoline and distillates shortage during the summer and finally another heating oil shortage late in the year. This impetus for high crude prices has faded as inventories of these products in the U.S. have risen to more normal levels. Also, late in 2000 it became clear that growth rates in the U.S. economy were slowing down. This is expected to reduce crude demand in 2001 and to put further pressure on world oil prices.

NCE Energy Trust is committed to *the health and safety of its employees and the public, as well as to the long-term enhancement and protection of the environment. Drilling and facility construction operations are conducted in compliance with government regulations and guidelines. Prior to acquiring a property, an environmental review is performed to ensure that the subject property is in acceptable condition and, subsequently, regular inspections are performed to ensure that any current or potential environmental liabilities are addressed.*

Offsetting these factors, it's expected that OPEC will probably move quickly to reduce production in a significant way. We note also that world inventories are still at low levels, and that apart from a recession-led downturn in demand, world supply remains very tight with virtually no excess production capacity. As a result, crude markets remain very susceptible to any kind of supply disruption. In the medium term, we believe the strong long-term growth in oil demand and the lack of significant excess capacity will allow reasonable price stability in oil markets at prices in excess of the long-term average.

Natural Gas

The outlook for natural gas remains very bullish. U.S. gas prices rose exponentially over the year, ending up twice as high as the levels of a year ago on a quarter-to-quarter basis. Prices rose quickest between September 1 and January 2001, doubling again to in excess of US$9.00/mmbtu. Canadian spot gas prices struggled to keep pace and lagged U.S. prices throughout the summer. This caused the AECO-Henry Hub differentials to widen from an average of US$0.28/mmbtu in 1999 to US$0.53/mmbtu in 2000. This trend ended abruptly with the commissioning of the Alliance Pipeline at the end of November. Differentials have tightened again and are expected to stay tight until new gas producing regions in the Canadian North can be attached to the Western Canadian Sedimentary Basin. This means that AECO spot gas is expected to track U.S. pricing at just $0.18/mmbtu to $0.30/mmbtu below the U.S. level on a sustained basis.

North American oil and gas producers have responded to the attractive economics of natural gas production with higher levels of gas drilling (a record 879 rigs are drilling for gas in the U.S.). Daily production in the US has increased from the lows of mid 1999 to over 50.5 Bcf/d. However, high demand levels have overwhelmed supply; by the end of December 2000, the winter had been about 13% colder than normal and 25% colder than the winter before.

As a result of the high demand, U.S. storage levels at the end of 2000 were the lowest on record for that point in the winter, and storage was at record lows by the end of the winter. NCE Energy Trust therefore expects strong gas prices for the rest of 2001 and well into 2002 as the energy industry struggles to replenish storage for next winter.

NCE Energy Trust
2000 Financial Report

Management's discussion and analysis

Information provided herein for fiscal 2001 is based on assumptions regarding future events and is subject to risks and uncertainties that may cause actual results to vary materially from these estimates.

Certain revenue and expense items discussed below are expressed on a barrel of oil equivalent (boe) basis, converting gas sales volumes to barrels of oil equivalent at 10,000 cubic feet per one barrel. This is a commonly used conversion ratio in the Canadian oil and gas industry, but it does not necessarily reflect relative energy content or value.

Fiscal 2000 was characterized by product price increases to levels significantly higher than those experienced in recent years. This has been an exceptional year for the Trust with a 1,420% increase in cash flow, a 231% increase in distributions payable to unitholders, plus a very successful public financing.

NCE Energy Trust (the "Trust") and Forte Energy Ltd. ("Forte"), a private company, jointly announced that they have entered into an agreement whereby the Trust will offer to purchase all of the issued and outstanding common shares of Forte. The offer will consist, at the election of each shareholder of Forte, of approximately 1.067 NCE Energy Trust units or $4.59 in cash per Forte share, provided that the total cash component will not exceed $20 million and the total number of Trust units issued will not exceed 7.415 million. The Trust will also assume all of Forte's outstanding debt of approximately $13.8 million as at December 31, 2000. Based on the closing price of NCE Energy Trust units on March 22, 2001, of $4.30 per unit, the total enterprise value of the transaction is approximately $65.7 million.

The Forte properties are currently producing approximately 2,130 boe/d (2,650 boe/d at 6:1) of which approximately 49% is gas. An independent engineering evaluation estimates the Established Reserves (proved plus 1/2 probable) at 5.5 mmboe (6.7 mmboe at 6:1). In addition, Forte owns approximately 90,000 net acres of undeveloped land valued at $4.5 million.

The offer is conditional on shareholder and regulatory approvals.

In the third quarter of 2000, the Trust announced the acquisition of a package of properties for $9.8 million (net of adjustments) at a cost of $7.63 per boe. The reserves and production were 42% gas, and 80% of the total value was represented by proven reserves. Cash flow from the properties is included in the Trust's operational results effective September 1, 2000.

In November 2000, the Trust completed a very successful offering of trust units for gross proceeds of $31.3 million, including the over-allotment option. A total of 7,370,000 trust units were issued at $4.25 per unit. The net proceeds of $28.3 million were used to finance the acquisition discussed above and repay the remaining balance on the bank loan.

In December 2000, the Trust reached agreement to purchase interests in a diverse group of properties from a major Canadian oil and gas company for $24 million. Production from the properties is approximately 550 boe/d, of which approximately 45% is gas. The acquisition is expected to add 2.9 mmboe of established reserves at a cost of $8.14 per boe. The acquisition, which is effective January 1, 2001, closed on February 28, 2001.

NCE Energy Trust unitholders who held their units throughout 2000 received cash distributions of $1.18 per unit versus $0.65 per unit in the prior year. In January and February 2001, the Trust made a regular cash distribution of $0.06 per unit, plus a special distribution of $0.04 per unit in January and $0.02 per unit in February, for a total of $0.10 and $0.08 per unit respectively. The decline from $0.10 to $0.08 did not reflect a decline in cash flow, but rather was due to an increase in the number of units outstanding due to the exercise of warrants and the conversion of promissory notes.

Cash flow available for distributions in 2000 was $10.6 million, as compared to $3.2 million in 1999, an increase of 231%.

Distributions payable at December 31, 2000, in the amount of $2.0 million, will be used to pay January and February distributions. There is approximately a two-month delay between the production of oil and gas and the payment of distributions.

Oil revenue for the year ended December 31, 2000, increased to $14.5 million from $9.9 million in the prior year. The average oil price increased to $38.13 per bbl at the wellhead as compared to $24.86 per bbl in 1999. Daily production in 2000 was 1,040 bbl/d versus 1,096 bbl/d in 1999.

The WTI average oil price for the year was US$30.20 per bbl versus US$19.24 per bbl in 1999.

Net gas revenue increased 154% to $11.2 million in 2000 versus $4.4 million in 1999, due to the increase in production from 5.1 mmcf/d to 6.0 mmcf/d and the 114% increase in the gas price from $2.40 per mcf in 1999 to $5.13 per mcf in 2000.

Net royalties increased to $6.8 million in 2000 from $3.0 million in 1999, in line with higher revenues. Royalties were 25.6% of revenue in 2000 as compared to 20% of revenue in 1999, mainly due to the rise in gas prices. Alberta royalty rates for gas increase as prices strengthen.

Lease operating costs were $4.9 million in 2000 as compared to $4.1 million in 1999. Operating costs increased to $7.83 per boe in 2000 from $6.82 per boe in 1999, mainly due to the increase in electricity rates and the rate increases from service companies.

General and administrative expenses were $1.7 million in 2000 and $1.4 million in 1999. Costs were $2.72 per boe in 2000, compared to $2.30 per boe in 1999.

Management fees were $501,000 in 2000, as compared to $264,000 in 1999, reflecting the strong increase in cash flow.

Management fees are 3.5% of revenue, including Alberta Royalty Credit, less royalties and operating costs. Of the total fee, 2.5% was paid in cash and 1.0% was satisfied by the issuance of trust units until the maximum of 55,000 trust units were issued.

Interest expense decreased to $887,000 in 2000 from $1.2 million in 1999. The decrease is due to the reduction in the bank loan outstanding and the conversion of additional promissory notes into Trust units.

Depletion is provided for on the unit of production method based on total estimated proven reserves. Depletion and depreciation expense was $3.7 million in 2000 versus $3.4 million in 1999.

The depletion rate per boe on a 6:1 basis increased to $4.85 in 2000 from $4.59 in 1999 due to the acquisition in the third quarter of 2000.

At December 31, 2000, the Trust had $59,000 in a cash abandonment fund. This cash fund is increased on an ongoing basis by $0.075 per boe produced.

In the first quarter of 1999, the Trust completed a promissory note and warrant issue raising gross proceeds of $16.1 million. The issue included 4,838,100 warrants to acquire trust units at $3.3333 per trust unit. During 1999, notes of $4.5 million were converted into 1,336,200 trust units, and warrants for 99,760 units were exercised. In 2000, additional promissory notes in the amount of $7.8 million were converted into 2,346,900 trust units, and warrants were exercised to acquire 3,446,345 additional units. As at December 31, 2000, there were promissory notes with a face value of $3.9 million outstanding and 1,291,995 warrants outstanding.

In November 2000, the Trust completed a successful public offering raising net proceeds of $28.3 million. The funds were used to temporarily repay the remaining balance on the bank loan and partially finance the property acquisitions in the third quarter of 2000 and the first quarter of 2001. At February 28, 2001, there was $5.9 million outstanding on the bank loan.

MANAGEMENT'S REPORT

These financial statements are the responsibility of the management of NCE Energy Trust, NCE Energy Management Corporation ("Management"). They have been prepared in accordance with generally accepted accounting principles using Management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, notes to the financial statements and other financial information contained in this report. Estimates are sometimes necessary in the preparation of these statements because a precise determination of some assets and liabilities depends on future events. Management has based these estimates on careful judgments and believes they are properly reflected in the accompanying financial statements. Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors of NCE Energy Trust is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Board meets with Management to ensure that Management's responsibilities are fulfilled, to review financial statements and to recommend approval of the financial statements. An independent auditor appointed by Management, Arthur Andersen LLP, has audited the financial statements of NCE Energy Trust in accordance with generally accepted auditing standards and has provided an independent professional opinion.

John Driscoll

John F. Driscoll
President

J Vooglaid

John Vooglaid
Chief Financial Officer

Toronto, Canada
February 28, 2001

Auditors' report

We have audited the consolidated balance sheet of NCE Energy Trust as at December 31, 2000 and 1999 and the consolidated statements of operations, deficit, cash flows and distributions accruing to unitholders for the years then ended. These financial statements are the responsibility of the management of NCE Energy Management Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NCE Energy Trust as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta.
February 28, 2001.

(signed) Arthur Andersen LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEET

December 31	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 12,860,252	$ 302,992
Accounts receivable	3,116,260	1,377,272
Due from affiliates *(Note 10)*	–	34,783
Prepaids and deposits	2,461,841	139,943
TOTAL CURRENT ASSETS	18,438,353	1,854,990
RECLAMATION AND ABANDONMENT RESERVE *(Note 11)*	59,205	12,728
FUTURE INCOME TAXES *(Note 12)*	8,919,556	–
OIL AND GAS PROPERTIES, at cost less accumulated depletion and depreciation *(Notes 4 and 10)*	33,275,868	26,326,770
	$ 60,692,982	$ 28,194,488
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 718,798	$ 219,389
Payable to affiliates *(Note 10)*	340,373	103,622
Distributions payable to Unitholders *(Note 8)*	1,963,335	877,308
Current portion of promissory notes *(Note 6)*	385,000	1,167,300
TOTAL CURRENT LIABILITIES	3,407,506	2,367,619
BANK LOAN *(Note 5)*	–	14,161,855
PROMISSORY NOTES *(Note 6)*	157,542	1,450,838
ACCRUED RECLAMATION AND ABANDONMENT	1,502,185	1,170,195
	$ 5,067,233	$ 19,150,507
UNITHOLDERS' EQUITY		
Trust units *(Note 7)*	80,774,865	34,049,614
Promissory notes *(Note 6)*	2,788,922	7,850,116
Deficit	(27,938,038)	(32,855,749)
	55,625,749	9,043,981
	$ 60,692,982	$ 28,194,488

Signed on behalf of NCE Energy Trust by NCE Energy Management Corporation, manager of the Trust:

John Driscoll, *Director*

Richard Zarzeczny, *Director*

The accompanying notes to consolidated financial statements are an integral part of this consolidated balance sheet.

Consolidated statement of operations

For the years ended December 31	2000	1999
REVENUES		
Oil and gas, net of royalties	$ 19,625,284	$ 11,798,720
Interest	108,286	155,190
	19,733,570	11,953,910
EXPENSES		
Depletion and depreciation	3,716,332	3,358,399
Provision for reclamation and abandonment costs	461,041	522,194
Lease operating	4,850,942	4,148,619
General and administrative *(Note 10)*	1,686,838	1,399,076
Management fees *(Note 10)*	500,636	263,512
Capital taxes	443,198	225,495
Interest on long-term debt *(Notes 4, 5 and 6)*	887,226	1,218,878
	12,546,213	11,136,173
NET INCOME BEFORE PROVISION FOR FUTURE INCOME TAXES	7,187,357	817,737
PROVISION FOR FUTURE INCOME TAXES	2,539,844	–
NET INCOME	$ 4,647,513	$ 817,737
NET INCOME PER TRUST UNIT *(Note 9)*		
Basic	$ 0.58	$ 0.22
Diluted	$ 0.43	$ 0.22

Consolidated statement of deficit

For the years ended December 31	2000	1999
DEFICIT, beginning of year, as previously reported	$ (32,855,749)	$ (29,535,906)
CHANGE IN ACCOUNTING POLICY *(Note 3)*	11,459,400	–
DEFICIT, beginning of year, as restated	(21,396,349)	(29,535,906)
NET INCOME	4,647,513	817,737
DISTRIBUTIONS ACCRUING TO UNITHOLDERS	(10,645,883)	(3,218,380)
ACCRETION OF EQUITY COMPONENT OF PROMISSORY NOTES *(Note 6)*	(543,319)	(919,200)
DEFICIT, end of year	$ (27,938,038)	$ (32,855,749)

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

Consolidated statement of cash flows

For the years ended December 31	2000	1999
OPERATING ACTIVITIES		
Net income	$ 4,647,513	$ 817,737
Add items not affecting cash –		
Depletion and depreciation	3,716,332	3,358,399
Provision for reclamation and abandonment costs	461,041	522,194
Provision for future income taxes	2,539,844	–
Cash flow from operations *(Note 9)*	11,364,730	4,698,330
Change in non-cash operating working capital	(3,289,943)	(1,151,882)
Cash provided by operating activities	8,074,787	3,546,448
FINANCING ACTIVITIES		
Trust units issued	42,944,828	389,804
Promissory notes issued *(Note 6)*	–	16,127,000
Interest paid on promissory notes in excess of interest expensed	(806,511)	(590,138)
Trust units purchased for cancellation	(80,700)	(3,620)
Issue costs	(3,012,475)	(2,118,478)
Bank loan	(14,161,855)	(938,145)
Distributions paid	(9,559,856)	(2,497,561)
Cash provided by financing activities	15,323,431	10,368,862
INVESTING ACTIVITIES		
Reclamation and abandonment reserve	(46,477)	(12,728)
Additions to oil and gas properties	(10,775,017)	(14,165,466)
Proceeds on disposition of oil and gas properties	109,587	496,873
Reclamation and abandonment costs incurred	(129,051)	(48,022)
Cash used in investing activities	(10,840,958)	(13,729,343)
INCREASE IN CASH AND CASH EQUIVALENTS	12,557,260	185,967
CASH AND CASH EQUIVALENTS, beginning of year	302,992	117,025
CASH AND CASH EQUIVALENTS, end of year	$ 12,860,252	$ 302,992
Cash and cash equivalents is comprised of:		
Cash (bank overdraft)	$ (22,683)	$ 302,992
Short-term investments	12,882,935	–
	$ 12,860,252	$ 302,992
Interest paid during the year	$ 1,693,736	$ 1,825,782
Income taxes paid during the year	$ –	$ –
CASH FLOW FROM OPERATIONS PER TRUST UNIT *(Note 9)*		
Basic	$ 1.42	$ 1.28
Diluted	$ 0.88	$ 0.63

The accompanying notes to consolidated financial statements are an integral part of this consolidated statement.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS ACCRUING TO UNITHOLDERS

For the years ended December 31	2000	1999
DISTRIBUTIONS PAYABLE, BEGINNING OF YEAR	$ 877,308	$ 156,489
DISTRIBUTIONS ACCRUING DURING THE YEAR		
Cash flow from operations	11,364,730	4,698,330
Interest payable on promissory notes net of capitalized interest *(Notes 4 and 6)*	(543,319)	(919,200)
Site reclamation and abandonment costs incurred	(129,051)	(48,022)
Reclamation and abandonment reserve	(46,477)	(12,728)
Repayment of bank loan	–	(500,000)
TOTAL DISTRIBUTIONS ACCRUING DURING THE YEAR	10,645,883	3,218,380
Distributions paid *(Note 8)*	(9,559,856)	(2,497,561)
DISTRIBUTIONS PAYABLE, END OF THE YEAR	$ 1,963,335	$ 877,308
DISTRIBUTIONS ACCRUING TO UNITHOLDERS PER TRUST UNIT *(Note 9)*		
Basic	$ 1.33	$ 0.88
Diluted	$ 0.97	$ 0.70

The accompanying notes to consolidated financial statements are an integral part of this consolidated statement.

Notes to consolidated financial statements

December 31, 2000 and 1999

NCE Energy Trust (the "Trust") is a single purpose trust established under the laws of the Province of Ontario pursuant to a Trust Indenture dated November 5, 1996, as amended and restated January 24, 1997, between NCE Energy Management Corporation (the "Manager") and Montreal Trust Company of Canada.

The Trust was created to invest in NCE Energy Corporation ("NCE Energy") by way of shares, debt or royalties. The Trust owns all the outstanding shares of NCE Energy. NCE Energy acquires oil and gas properties, shares and other securities of public and private companies and other entities engaged in the resource sector.

The consolidated financial statements have been prepared by the Manager following Canadian generally accepted accounting principles. The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The following significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements.

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiary, NCE Energy.

(b) Oil and Gas Properties

Oil and gas properties are accounted for using the full cost method of accounting whereby all costs of acquiring, exploring and developing oil and gas properties are capitalized. General and administrative costs are not capitalized.

The provision for depletion and depreciation, and the provision for reclamation and abandonment costs, are computed using the unit-of-production method based on the estimated gross proven oil and gas reserves. Proceeds on disposition of oil and gas properties are credited to the full cost pool unless this results in a change in the depletion and depreciation rate by 20% or more, in which case a gain or loss is recognized in the consolidated statement of operations and deficit. The provision for reclamation and abandonment costs is accumulated as a long-term liability, which is reduced as actual expenditures are made.

For purposes of determining the ceiling limitation of capitalized costs, the net book value of the oil and gas properties, net of accrued site reclamation and abandonment costs, is compared to the undiscounted estimated future net revenue from the production of proven reserves, net of interest and production-related general and administrative costs.

(c) Income Taxes

The Trust follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Trust's corporate subsidiary and their respective tax bases, using enacted income tax rates. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the period in which the change occurs. Temporary differences arising on acquisitions result in future income tax assets or liabilities.

The Trust is a taxable entity under the Income Tax Act (Canada) and is taxable only on income that is not distributed or distributable to the Unitholders. As the Trust distributes all of its taxable income to the Unitholders and meets the requirements of the Income Tax Act (Canada) applicable to the Trust, no provision for future income taxes in the Trust has been made.

(d) Joint Ventures

The Trust conducts substantially all of its oil and gas activities jointly with others and, accordingly, the accounts reflect the Trust's proportionate interest in such activities.

(e) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments with an original maturity of three months or less.

(f) Distributions Payable to Unitholders

Distributions payable to unitholders are equal to amounts received or receivable by the Trust on the cash distribution date (see Note 8). Amounts earned but not received are distributed on the cash distribution date following receipt.

(g) Hedging Activity

The Trust uses derivative instruments to reduce its exposure to commodity price fluctuations. Gains and losses on contracts, all of which constitute effective hedges, are deferred and recognized as a component of the price of the related transaction.

(h) Trust Unit Incentive Plan

A Trust Unit Incentive Plan (the "Unit Incentive Plan") has been established authorizing the issuance of options to acquire trust units to directors, senior officers, employees and consultants of NCE Energy, the Manager, NCE Management Services Inc. ("NMSI") and certain other related parties. No compensation expense is recognized when the options are issued. Any consideration paid on exercise of the options is credited to Unitholders' Equity.

(i) Net Income and Cash Flow from Operations per Trust Unit

Basic net income per trust unit and cash flow from operations per trust unit are computed by dividing net income and cash flow from operations by the weighted average number of trust units outstanding for the period (2000 – 8,011,390; 1999 – 3,656,736). Diluted per unit amounts reflect the potential dilution that would occur if contracts to issue trust units were exercised and trust units were issued. The treasury stock method is used to determine the effect of dilutive instruments.

Effective January 1, 2000, the Trust adopted the liability method of accounting for income taxes. The effect of the change in accounting policy on the financial statements of the Trust was to increase (decrease) the following:

Deficit at January 1, 2000	$ 11,459,400
Net income for the year ended December 31, 2000	(2,539,844)
Future income taxes	8,919,556

The 1999 financial statements have not been restated for the change.

As at December 31	**2000**	**1999**
Oil and gas properties	$ 69,190,482	$ 58,525,052
Accumulated depletion and depreciation	(35,914,614)	(32,198,282)
	$ 33,275,868	$ 26,326,770

During the year ended December 31, 1999, $67,732 of interest expense related to the promissory notes was capitalized as part of oil and gas properties (see Note 6).

NCE Energy has a revolving demand facility to a maximum of $19 million with no repayment terms. The interest rate fluctuates based on the debt to cash flow ratio from prime at a debt to cash flow ratio of less than 2.25 to prime plus 0.5% at a debt to cash flow ratio greater than 3.00. The current interest rate is prime plus 0.5%. The credit facility is secured by a general assignment of the assets of NCE Energy.

The loan is the legal obligation of NCE Energy. The unitholders have no direct liability to the bank or to NCE Energy should the assets securing the loan generate insufficient cash flow to repay the obligation. The payment of principal and interest are allowable deductions in the calculation of distributions accruing to Unitholders.

On January 15, 1999, the Trust entered into an agency agreement whereby the Trust agreed to issue and sell up to 25,000 Promissory Note Units (the "Note Units") for $1,000 per Note Unit. Each Note Unit consists of a $1,000 convertible, unsecured, subordinated, redeemable promissory note (the "Notes") bearing interest at 10% and 300 Bonus Warrants (see Note 7). The initial closing for 9,133 Note Units occurred on March 1, 1999 and a second closing for 6,994 Note Units occurred on April 14, 1999, for a total of 16,127 Note Units. Net proceeds of the two closings totaled $13,920,739 after expenses of the offering.

The Notes are to mature on February 28, 2002, and interest on the Notes is to be paid semi-annually on February 28 and August 31 each year. The Notes are convertible into 300 trust units at the option of the holder any time after August 31, 1999. The Notes are also redeemable by the Trust in whole at any time and in part from time to time prior to maturity. The redemption will be satisfied by the issuance of such number of trust units equal to the maturity value of the Notes divided by the weighted average trading price for the trust units during the 20 trading days immediately prior to the date of redemption. It is currently anticipated that all

outstanding Notes will be redeemed by the Trust, and in certain circumstances the Trust will be required to redeem the Notes immediately prior to maturity, and as a result, holders of the Notes will become holders of trust units. As at December 31, 2000, 12,277 Notes have been converted for 3,683,100 Trust Units, leaving 3,850 Note Units outstanding.

The Notes are compound financial instruments, and the net proceeds of the offering have been allocated between the liability and equity components. As it is anticipated that all Notes will be redeemed by the Trust, the liability component is limited to the net present value of the future cash interest payments on the Notes. The liability component is adjusted periodically for the accretion of the liability due to the time value of money and the conversion of Notes to trust units. This accretion is accounted for as interest expense in the consolidated statement of operations and deficit. The liability component is drawn down over the life of the Notes as interest payments are made.

The equity component of the Notes is the difference between the net proceeds raised and the liability component. The equity component is adjusted periodically for the accretion of this component from its initial carrying amount up to the stated principal amount of the Notes. The accretion is charged against the deficit.

As at December 31, 2000 and 1999, the liability and equity components are as follows:

	Liability	Equity	Total
Initial closing, March 1, 1999	$ 2,326,632	$ 6,806,368	$ 9,133,000
Second closing, April 15, 1999	1,781,722	5,212,278	6,994,000
	4,108,354	12,018,646	16,127,000
Issue costs	–	(2,206,261)	(2,206,261)
Conversion of Notes to Trust Units	(967,810)	(2,881,469)	(3,849,279)
Accretion	283,944	919,200	1,203,144
Interest	(806,350)	–	(806,350)
Balance, December 31, 1999	2,618,138	7,850,116	10,468,254
Issue costs	–	(21,106)	(21,106)
Conversion of Notes to Trust Units	(1,269,085)	(5,583,407)	(6,852,492)
Accretion	120,039	543,319	663,358
Interest	(926,550)	–	(926,550)
Balance, December 31, 2000	$ 542,542	$ 2,788,922	$ 3,331,464

As at December 31, 2000 and 1999, the liability component consists of the following:

	2000	1999
Current portion of promissory notes	$ 385,000	$ 1,167,300
Promissory notes	157,542	1,450,838
	$ 542,542	$ 2,618,138

As at December 31, 2000, minimum future interest payments due on the promissory notes are:

	2000
2001	$ 385,000
2002	192,500
	$ 577,500

Authorized: Unlimited number of units

Issued:	Number of units	Amount
December 31, 1998	3,310,940	$ 29,814,151
Issued for cash *(Note 10)*	14,658	57,274
Issued for cash on exercise of Bonus Warrants	99,760	332,530
Units purchased for cancellation	(1,000)	(3,620)
Conversion of promissory notes *(Note 5)*	1,336,200	3,849,279
December 31, 1999	4,760,558	34,049,614
Issued for cash *(Note 10)*	7,404,883	28,465,757
Issued for cash on exercise of Bonus Warrants	3,446,345	11,487,702
Units purchased for cancellation	(19,200)	(80,700)
Conversion of promissory notes *(Note 5)*	2,346,900	6,852,492
December 31, 2000	17,939,486	$ 80,774,865

The trust units are redeemable at any time on demand by the unitholders, subject to certain restrictions outlined in the Trust Indenture. The redemption price is equal to the lesser of 85% of the market price for the 10 days following the date on which the trust units are surrendered for redemption and the closing market price on the redemption date. Market prices are calculated in accordance with the terms of the Trust Indenture. No trust units were surrendered for redemption during 2000 or 1999.

The Trust issued 4,838,100 Bonus Warrants as part of the Promissory Note Unit offering (see Note 6). Each Bonus Warrant entitles its holder to acquire one Trust Unit at a price of $3.3333 (subject to adjustment in certain events) at any time up to and including February 28, 2001. A nominal value has been ascribed to the Bonus Warrants as their exercise price exceeded the market price of the Trust Units on the date of the initial closing. During 2000, 3,446,345 (1999 – 99,760) trust units were issued upon the exercise of the Bonus Warrants. At December 31, 2000, 1,291,995 Bonus Warrants were outstanding.

A Trust Unit Incentive Plan was established on May 5, 1997. Under the plan, options were granted to purchase 330,548 units at an exercise price of $8.70 per unit. The Trust cancelled 62,000 options, leaving 268,548 options outstanding. The options are exercisable one-third per year on May 5, 1997, 1998, and 1999 and expire on May 5, 2002. No options have been exercised to date.

The Trust has a Distribution Reinvestment Plan. Under the terms of the plan, Unitholders can elect to reinvest their cash distributions to acquire additional trust units. The trust units can be purchased on any Canadian stock exchange on which the trust units are traded or, in certain circumstances, through the issuance of additional trust units of the Trust. During 2000, distributions in the amount of $183,249 were reinvested in the Plan to acquire 44,822 trust units at an average price of $4.088 per trust unit.

On December 23, 1999, the Trust implemented a normal course issuer bid program, which expired on December 22, 2000. Under this program, the Trust was allowed to purchase up to 229,666 of its outstanding trust units for cancellation. A total of 20,200 trust units were purchased at an average cost of $4.174 per trust unit.

On a monthly basis, NCE Energy distributes to the Trust, by means of dividends or other distributions on NCE Energy securities held by the Trust: interest payments on or repayment of indebtedness owing to the Trust; royalty or other payments; and its available cash flow determined in accordance with the Unanimous Shareholder Agreement. In turn, the Trust distributes to the Unitholders: the amounts above, net of expense obligations and tax liabilities incurred in the Trust; cash amounts, if any, which are paid or payable in connection with any cash redemptions of the trust units; and any amounts reinvested under the Distribution Reinvestment Plan.

A summary of cash distributions paid per unit appears below:

For the period ended	Payment date	2000	1999
November 30	January 31	$ 0.09	$ 0.05
December 31	February 28	0.09	0.05
January 31	March 31	0.10	0.04
February 28	April 30	0.10	0.04
March 31	May 31	0.10	0.04
April 30	June 30	0.10	0.04
May 31	July 31	0.10	0.04
June 30	August 31	0.10	0.05
July 31	September 30	0.10	0.06
August 31	October 31	0.10	0.07
September 30	November 30	0.10	0.08
October 31	December 31	0.10	0.09
Cash distributions per trust unit		$ 1.18	$ 0.65

The Trust adopted the recommendations of Canadian Institute of Chartered Accountants for the computation, presentation, and disclosure of earnings per trust unit in the fourth quarter of 2000. Under the new standard, the treasury stock method is used to determine the dilutive effect of "in the money" options. Prior period net income and cash flow from operations per trust unit have been restated for this change.

Basic per unit calculations are based on the weighted average number of trust units outstanding in 2000 of 8,011,390 (1999 – 3,656,736). Diluted calculations include 2,974,339 additional trust units in 2000

(1999 – 933,085) for the dilutive impact of Bonus Warrants and Notes. Diluted net income per trust unit and diluted cash flow from operations per unit assume interest expense savings of $120,039 (1999 – $216,212) on the Notes.

If the imputed earnings method had been used to calculate net income and cash flow from operations per trust unit, the reported amounts would have been as follows:

For the years ended December 31		**2000**		**1999**
Net income				
Basic	$	0.58	$	0.22
Fully diluted (1)	$	0.40	$	0.20
Cash flow from operations				
Basic	$	1.42	$	1.28
Fully diluted (1)	$	0.88	$	0.63

(1) Fully diluted net income and cash flow from operations per trust unit assume additional earnings calculated at an interest rate of 6% and interest savings on the Notes of $929,872 (1999 – $980,501).

(a) Management, Advisory and Administration Agreement

On January 24, 1997, NCE Energy, the Manager, and the Trust entered into an agreement whereby the Manager will provide oil and gas investment, consulting, administrative and management services to NCE Energy and the Trust. The Manager receives an investment fee equal to 1.75% of the purchase price of all companies or other resource assets acquired and 1.5% of the sales price of assets sold. The Manager also receives a monthly management fee equal to 3.5% of revenue plus Alberta Royalty Credit less royalties and operating costs. Of the total management fee, 2.5% is paid in cash and 1.0% is satisfied by the issuance of Trust Units to a maximum of 55,000 Trust Units. The Trust Units are issued at the quarterly weighted average trading price for the applicable quarter preceding the payment date. During the quarter ended September 30, 2000, the limit on the number of Trust Units that may be issued in satisfaction of a portion of the management fee was reached. As a result, the management fee will now be paid solely in cash.

For the year ended December 31, 2000, the Manager received an investment fee of $178,735 (1999 – $246,877) and a management fee of $500,636 (1999 – $263,512) of which $85,021 (1999 – $75,289) has been satisfied by the issuance of 21,162 Trust Units. The investment fee has been capitalized to oil and gas properties. As at December 31, 2000, the payable to the Manager is $181,164 (1999 – $103,622).

(b) Management Agreement

On January 24, 1997, the Manager, NCE Energy and the Trust entered into an agreement with NCE Management Services Inc. ("NMSI") whereby NMSI will provide administrative services to NCE Energy and the Trust. An officer and director of the Manager is the sole beneficial shareholder of NMSI.

For the year ended December 31, 2000, NMSI received $994,018 (1999 – $770,856) for accounting and administrative services, which is included in general and administrative expenses; $100,000 (1999 – nil) for marketing and issue related costs and $101,687 (1999 – $16,852) for project sourcing and evaluation costs, which have been capitalized in oil and gas properties. As at December 31, 2000, there is a payable to NMSI of $159,209 (1999 – $34,783 receivable).

NCE Energy maintains a cash reserve to finance oil and gas property reclamation and abandonment activities by withholding distributions accruing to Unitholders.

In 2000, NCE Energy increased the cash reserve by withholding $46,477 (1999 – $12,728) from distributions accruing to Unitholders.

Future Income Taxes

The future income tax asset is comprised of the following amounts arising from temporary differences related to:

As at December 31	**2000**
Oil and gas properties	$ 8,755,335
Resource allowance	164,221
	$ 8,919,556

The provision for future income taxes differs from the result which would be obtained by applying the combined federal and provincial statutory tax rates to income before income taxes. This difference results from the following:

For the year ended December 31	**2000**
Net income before provision for future income taxes	$ 7,187,357
Income tax provision computed at statutory rates	$ 3,206,999
Effect on income tax of:	
Income attributed to the Trust	(703,952)
Non-deductible crown charges, net of Alberta Royalty Credit	2,032,808
Resource allowance	(1,932,537)
Capital taxes	99,480
Temporary difference in resource allowance	(63,248)
Site reclamation and abandonment costs incurred	(57,583)
Other	(42,123)
Provision for future income taxes	$ 2,539,844

The oil and natural gas properties and facilities owned by NCE Energy have a tax basis of approximately $51.2 million (1999 – $46 million) available for future use as deductions from taxable income. Included in this tax basis are non-capital loss carryforwards of $522,000 (1999 – $3.8 million), which expire in 2006.

Current Income Taxes

Periodically, current taxes may be incurred by NCE Energy depending upon the timing of income tax deductions. Should these taxes prove to be unrecoverable, they will be deducted from cash distributions.

The Trust's financial instruments carried on the balance sheet consist of current assets (excluding prepaids and deposits), current liabilities (excluding accrued liabilities), the bank loan and promissory notes. As at December 31, 2000 and 1999, the carrying value of the current assets and liabilities approximated their fair value due to their short-term nature. The carrying value of the bank loan approximated its fair value as a floating rate of interest is applied to the bank loan.

At December 31, 2000, the fair value of the promissory notes was approximately $505,505 based on the market value of the promissory notes on the Toronto Stock Exchange.

The derivative instruments utilized by the Trust (see Note 14) have no carrying value and a negative fair value of $1,678,000 at December 31, 2000, based on quotes provided by brokers. This fair value represents an approximation of amounts that would be paid to counterparties to settle these instruments at the balance sheet date. The Trust plans to hold all derivative instruments outstanding at December 31, 2000 to maturity.

The Trust enters into various pricing mechanisms to reduce price volatility and establish minimum prices for a portion of its oil and gas production. These include fixed price contracts and costless collars.

The outstanding derivative financial instruments, all of which constitute effective hedges, and the related unrealized gains or losses, are summarized below:

	Quantity	Price	December 31, 2000 Unrealized Loss	Term
Natural gas sold	940 mcf/d	$ 3.170/mmbtu	$ 1,678,000	Nov. 1, 2000 to Oct. 31, 2001

The gains or losses are recognized on a monthly basis over the terms of the contracts and adjust the prices received.

Derivative financial instruments involve a degree of credit risk, which the Trust controls through the use of financially sound counterparties. Market risk relating to changes in value or settlement cost of the Trust's derivative financial instruments is essentially offset by gains or losses on the underlying physical sales.

Effective January 1, 2001, NCE Energy acquired interests in a diverse group of oil and gas properties for cash of approximately $23.8 million.

NCE Energy Trust
Statement of Corporate Governance Practices

The Toronto Stock Exchange requires that each listed company disclose on an annual basis its approach to corporate governance with reference to the Guidelines for Improved Corporate Governance contained in the report of The Toronto Stock Exchange Committee on Corporate Governance in Canada (the "TSE Guidelines"). Set out below is a description of the Trust's corporate governance practices, which have been established by the terms of the Trust Indenture, Unanimous Shareholder Agreement and Management Agreement, and have been approved by the Directors of NCE Energy. NCE Energy Management Corporation (the "Manager"), the manager of the Trust, has undertaken the day-to-day management and administration of the Trust and NCE Energy under the terms of the Management Agreement, subject to the supervision and authority of the Board of Directors of NCE Energy (the "Board of Directors" or the "Board").

The Board of Directors should explicitly assume responsibility for stewardship of the corporation. The Board has a mandate to supervise the management of the business affairs, and to act with a view to the best interest, of NCE Energy. The Board holds regular meetings to review the business and affairs of NCE Energy and to make any decisions relating thereto. The Board, in conjunction with the Manager, is responsible for the strategic planning process, identifying the principal risks of the business of NCE Energy and implementing appropriate systems to manage these risks, the integrity of the internal controls and management information systems of NCE Energy and monitoring senior management.

The majority of the directors should be "unrelated" directors. The TSE Report defines an "unrelated director" as a director who is independent of management and free from any business or other relationship which could, or could be reasonably perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholdings. The Board is currently comprised of six members, three of whom are elected by the Unitholders and are "unrelated directors" within the meaning of the TSE Guidelines.

The Board of Directors should appoint a nominating committee composed exclusively of outside directors with responsibility for proposing new nominees to the Board and assessing directors on an ongoing basis. The Board has no formal nominating committee. When new directors are being considered for addition to the Board, the full Board generally acts as an ad hoc nominating committee.

The Board should implement a process for assessing the effectiveness of the Board as a whole, its committees and the contribution of individual directors. The Board reviews, on an ongoing basis, the effectiveness of the Board as a whole and the Audit Committee and Executive Committee and the contribution and effectiveness of individual directors.

The company should provide an education and orientation program for new members of the Board of Directors. NCE Energy currently has an informal orientation and education program for new Board members in order to ensure that new directors are familiarized with the NCE Energy's business and the procedures of the Board of Directors.

The Board of Directors should examine its size to ensure that it facilitates effective decision-making. The Board of Directors reviews its size and composition on an ongoing basis to ensure its effectiveness. The Board believes its current size and composition facilitates effective decision-making.

The Board should review the adequacy and form of compensation of directors to ensure that it reflects the responsibilities and risks involved in being an effective director. The Board reviews directors' compensation on an ongoing basis to ensure that the amount of compensation adequately reflects the responsibilities and risks of being a director and makes adjustments as deemed necessary.

Committees of the Board should be composed of outside directors, a majority of whom are unrelated. The Board currently has two committees: the Executive Committee and the Audit Committee. The Board also consults an independent investment advisory board.

Executive Committee – The Unanimous Shareholder Agreement provides for the establishment of an executive committee of the Board (the "Executive Committee") comprised of three members, two of whom must be directors of NCE Energy nominated by the Unitholders. In addition to requiring Board approval, any decision with respect to the following matters must be approved by the Executive Committee to be effective:

- acquisitions and dispositions of any companies, oil and gas properties or royalties in excess of $2,000,000;
- any amendments to or termination of or giving notice of default under the Management Agreement or the Unanimous Shareholder Agreements;
- any material contract or transaction between any related party and any of the Trust, NCE Energy or any acquired company; and
- the termination of the Trust, unless the same has been approved by the Trust Unitholders.

Audit Committee – A separate Audit Committee has been formed. The Audit Committee is composed of three members, the majority of whom are unrelated directors of NCE Energy nominated by the Unitholders of the Trust. The Audit Committee reviews the financial statements of the Trust for presentation to the Board of Directors of the Manager for approval.

Investment Advisory Board – The Unanimous Shareholder Agreement provides for the appointment of a board of advisors (the "Investment Advisory Board"), all of whom must be unrelated to NCE Energy, the Trust and the Manager, of whom 50% must have

at least five years substantial experience in the oil and gas industry. The Investment Advisory Board advises and counsels the Board in connection with all proposed material acquisitions and dispositions; however, the Board has overall responsibility for the management and operation of the business and affairs of NCE Energy.

GUIDELINE 10

The Board of Directors should assume responsibility for corporate governance issues. The Board of Directors specifically assumes responsibility for development of the NCE Energy's policies with respect to corporate governance issues. The Board of Directors attempt, so far as is practical given the nature of the NCE Energy's business and resources, to adhere to the TSE Guidelines.

GUIDELINE 11

The Board of Directors and the CEO together should develop position descriptions for the Board of Directors and the CEO, involving the definition of the limits to management's responsibilities. In addition, the Board of Directors should approve or develop the corporate objectives which the CEO is responsible for meeting. The Board of Directors and the CEO have developed the scope and limits of management's responsibilities and powers. In addition to those matters which must be approved by the Board of Directors by law, significant business activities and actions proposed to be taken by NCE Energy are subject to Board approval. The Board of Directors responds to and if it considers appropriate, approves, with such revisions as it may require, corporate objectives and recommended courses of action which have been brought forward by the CEO and management.

GUIDELINE 12

The Board of Directors should have appropriate structures and procedures to ensure that it can function independently of management. The Board of Directors reviews its procedures on an ongoing basis to ensure that it can function independently of management.

GUIDELINE 13

The Board of Directors should establish an Audit Committee, comprised of all non-management directors, with a specifically defined mandate. The Audit Committee should have direct ommunication channels with external auditors. The Audit Committee is currently composed of a majority of unrelated directors nominated by the Unitholders of the Trust. The Audit Committee monitors audit functions and meets with outside auditors independent of management. Please see above for further detail with respect to the mandate of the Audit Committee. Commencing in mid-2001, the Audit Committee will be composed entirely of non-management directors.

GUIDELINE 14

The Board should enable directors to engage outside advisors at the company's expense, when appropriate, subject to the approval of a committee of the Board. Individual directors may, in appropriate circumstances, engage an outside advisor at the expense of NCE Energy, subject to the approval of the Board of Directors.

Definitions and Descriptions

ABBREVIATIONS

bbl	barrel
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mmbtu	million British thermal units
mbbl/d	thousand barrels of oil per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
bcf	billion cubic feet
mlt	thousand long tons
mmbbl	million barrels
mmboe	million barrels of oil equivalent
mmcf	million cubic feet
mmcf/d	million cubic feet per day
mstb	thousand stock tank barrels
tcf	trillion cubic feet
API	American Petroleum Institute
APO	after payout
ARC	Alberta Royalty Credit
BPO	before payout
Gj	Gigajoules
NGLs	natural gas liquids
RLI	reserve life index (in years)
WTI	West Texas Intermediate

GLOSSARY OF TERMS

boe: Barrel of oil equivalent which, unless otherwise stated, is determined on the basis that 10,000 cubic feet (10 mcf) of natural gas is equivalent to one barrel of oil.

Crown royalty: The government's share of a property's production.

Netback: The amount received from the sale of a barrel of oil or barrel of oil equivalent after deduction of operating costs and royalty payments.

Net production: The working interest share of gross production.

Probable reserves: Those reserves that analysis suggests exist and whose future recovery, under current technology, is highly likely.

Proved reserves: Those reserves estimated as recoverable with a high degree of certainty under current technology and existing economic conditions.

Working interest: The interest in a lease that carries with it the rights and obligations to develop and operate an oil or natural gas property.

Corporate directory

NCE Energy Corporation Directors and Officers

Directors
John A. Brussa
C. Barrie Clark [1]
John F. Driscoll [1 2]
Robert L. McLeish [2]
John Shiry [1 2]
Richard J. Zarzeczny

Officers
John F. Driscoll
President and Chief Executive Officer

Jeffery E. Errico
Executive Vice-President and Chief Operating Officer

Glen Fischer
Vice-President, Operations

Vince P. Moyer
Vice-President, Finance

John Nestor
Secretary

Jeffrey Newcommon
Vice-President, Land and Exploration

John Vooglaid
Vice-President, Treasurer

1 Member of the Executive Committee

2 Member of the Audit Committee

Legal Counsel
Goodman and Carr
Toronto, Ontario

Burnet, Duckworth & Palmer
Calgary, Alberta

McLeod, Dixon
Calgary, Alberta

Investment Advisory Board
Bert Alfaro, P.Eng., Chairman
Noel A. Cleland, P.Eng.
J. Howard Geddes, P.Eng.

Auditors
Arthur Andersen LLP
Calgary, Alberta

Bankers
Royal Bank of Canada
Toronto, Ontario
Calgary, Alberta

Transfer Agent
Montreal Trust Company of Canada
Toronto, Ontario

Petroleum Consultants
Outtrim Szabo Associates Ltd.
Calgary, Alberta

Stock Exchange Listings
Toronto Stock Exchange
Symbol: NCA.UN

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